

DEPARTMENT OF TRANSPORTATION**AUDITS AND INVESTIGATIONS**

304 O STREET, Suite 200

P. O. BOX 942874

SACRAMENTO, CA 94274-0001

PHONE (916) 323-7111

FAX (916) 323-7123

TTY: (916) 654-4086

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February 27, 2008

Mr. Patrick J. Minturn, Director of Public Works
Shasta County Department of Public Works
1855 Placer Street
Redding, CA 96001-1759

Re: Shasta County Department of Public Works
Audit of Indirect Cost Rate Proposal FY 2005/06
File No: P1190-0646

Dear Mr. Minturn:

We have audited the Shasta County Department of Public Works' (DPW) Indirect Cost Rate Proposal (ICRP) for the fiscal year ended June 30, 2006 to determine whether the ICRP is presented in accordance with Office of Management and Budget (OMB) Circular A-87 and the Department of Transportation's (Department's) Local Programs Procedures (LPP) 04-10. The DPW management is responsible for the fair presentation of the ICRP. The DPW proposed a first tier indirect cost rate of 24.86% and a second tier indirect cost rate of 27.67%. The first tier rate is a percentage of DPW general and administrative (G&A) indirect costs to total direct salaries and wages plus fringe benefits. The second tier rate is a percentage of Engineering indirect costs to total direct salaries and wages plus fringe benefits.

Our audit was conducted in accordance with the Standards for Performance Audits set forth in the *Government Auditing Standards* issued by the Comptroller General of the United States of America. The audit was less in scope than an audit performed for the purpose of expressing an opinion on the financial statements of the DPW. Therefore, we did not audit and are not expressing an opinion on the DPW's financial statements.

The standards require that we plan and perform the audit to obtain reasonable assurance about whether the data and records reviewed are free of material misstatement, as well as material noncompliance with fiscal provisions relative to the ICRP. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the data and records reviewed. An audit also includes assessing the accounting principles used and significant estimates made by the DPW, as well as evaluating the overall presentation.

The accompanying ICRP was prepared on a basis of accounting practices prescribed in the

OMB Circular A-87 and the Department's LPP 04-10, and is not intended to present the results of operations of the DPW in conformity with generally accepted accounting principles.

The scope of the audit was limited to select financial and compliance activities. The audit consisted of a recalculation of the ICRP, a review of the DPW's single audit report for the fiscal year ended June 30, 2006, inquiries of DPW personnel and reliance placed on the single audit report for the fiscal year ended June 30, 2006 and prior audit work completed on May 9, 2005. We believe that our audit provides a reasonable basis for our conclusion.

Because of inherent limitations in any financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

AUDIT RESULTS

Based on audit work performed, the DPW's ICRP for the fiscal year ended June 30, 2006 is presented in accordance with OMB Circular A-87 and LPP 04-10. The approved indirect cost rate for the first tier of DPW G&A costs is 24.86% of direct salaries and wages plus fringe benefits. The approved indirect cost rate for Engineering is 27.67% of total direct salaries and wages plus fringe benefits. The approval is based on the understanding that a carry-forward provision does not apply and no adjustment will be made to previously approved rates as these rates were developed based on actual costs.

This report is intended solely for the information of the DPW, Department Management, the California Transportation Commission and the Federal Highway Administration (FHWA). However, this report is a matter of public record and its distribution is not limited.

Mr. Patrick J. Minturn
February 27, 2008
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Please retain the approved Indirect Cost Rate Proposal for your files. Copies were sent to the Department's District 2, the Department's Division of Accounting and the FHWA. If you have any questions, please contact Jimmy Motta, Auditor, at (916) 323-7914 or Amada Maenpaa, Audit Supervisor, at (916) 323-7868.


MARYANN CAMPBELL-SMITH
Chief, External Audits

Attachments

c: Brenda Bryant, FHWA
Gary Buckhammer, Division of Accounting
John Peterson, District 2

File copy: P1190-0646

**Shasta County Department of Public Works
Indirect Cost Allocation Plan**

The indirect cost rates contained herein are for use on grants, contracts, and other agreements with the Federal Government and the California Department of Transportation (Caltrans), subject to the conditions in Section II. This plan was prepared by the Shasta County Department of Public Works and approved by Caltrans.

SECTION I: Rates

<u>Rate Type</u>	<u>Effective Period</u>	<u>Rate</u>	<u>Applicable To</u>
<u>First Tier:</u>			
Final	7/1/05 to 6/30/06	24.86 %	All Programs

Base: Total Salaries and Wages plus fringe benefits.

<u>Second Tier:</u>			
Final	7/1/05 to 6/30/06	27.67 %	Engineering

Base: Salaries and Wages charged to Projects plus fringe benefits.

SECTION II: General Provisions

A. Limitations:

The rates in this Agreement are subject to any statutory or administrative limitations and apply to a given grant, contract, or other agreement only to the extent that funds are available. Acceptance of the rates is subject to the following conditions: (1) Only costs incurred by the organization were included in its indirect cost pool as finally accepted: such costs are legal obligations of the organization and are allowable under the governing cost principles; (2) The same costs that have been treated as indirect costs are not claimed as direct costs; (3) Similar types of costs have been accorded consistent accounting treatment; and (4) The information provided by the organization which was used to establish the rates is not later found to be materially incomplete or inaccurate by the Federal Government or Caltrans. In such situations the rates would be subject to renegotiations at the discretion of the Federal Government or Caltrans; (5) Actual costs used in the calculation of the approved rates are contained in the grantee's Single Audit, which was prepared in accordance with OMB Circular A-133.

B. Accounting Changes:

This Agreement is based on the accounting system purported by the organization to be in effect during the Agreement period. Changes to the method of accounting for costs which affect the amount of reimbursement resulting from the use of this Agreement, require prior approval of the authorized representative of the cognizant agency. Such changes include, but are not limited to, changes in the charging of a particular type of cost from indirect to direct. Failure to obtain approval may result in cost disallowance.

C. Final Rate:

The final rates used in this Agreement are based on actual costs for the period covered by the rates. As a result, a carry-forward provision does not apply.

D. Audit Adjustments:

Immaterial adjustments resulting from the audit of information contained in this plan shall be compensated for in the subsequent indirect cost plan approved after the date of the audit adjustment. Material audit adjustments will require reimbursement from the grantee.

E. Use by Other Federal Agencies:

Authority to approve this Agreement by Caltrans has been delegated by the Federal Highway Administration, California Division. The purpose of this approval is to permit subject local government to bill indirect costs to Title 23 funded projects administered by the Federal Department of Transportation (DOT). This approval does not apply to any grants, contracts, projects, or programs for which DOT is not the cognizant federal agency.

The approval will also be used by Caltrans in state-only funded projects.

F. Other:

If any federal contract, grant, or other agreement is reimbursing indirect costs by a means other than the approved rates in this Agreement, the organization should (1) credit such costs to the affected programs, and (2) apply the approved rates to the appropriate base to identify the proper amount of indirect costs allocable to these programs.

G. Rate Calculation

	First Tier	Second Tier
Fiscal Year 2006	G & A	Engineering
Actual Pool Costs	1,632,480.53	639,989.10
Labor Allocation Base	6,565,765.94	2,312,567.37
Rate(s)	24.86%	27.67%

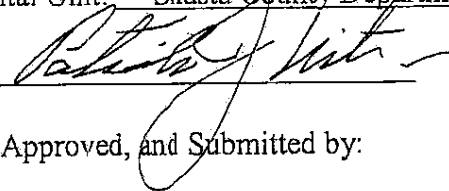
CERTIFICATION OF INDIRECT COSTS

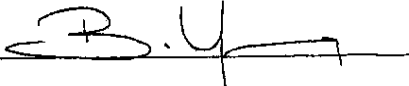
This is to certify that I have reviewed the indirect cost rate proposal submitted herewith and to the best of my knowledge and belief: (1) All costs included in this proposal to establish billing or final indirect cost rates for fiscal year 2006 (*July 1, 2005 to June 30, 2006*) are allowable in accordance with the requirements of the federal and state award(s) to which they apply and OMB Circular A-87, "Cost Principles for State, Local, and Indian Tribal Governments." Unallowable costs have been adjusted for in allocating costs as indicated in the cost allocation plan.

(2) All costs included in this proposal are properly allocable to federal and state awards on the basis of a beneficial or causal relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements. Further, the same costs that have been treated as indirect costs have not been claimed as direct costs. Except as identified in the attachment to this certification related to direct and indirect labor, similar types of costs have been accounted for consistently and the Federal Government and Caltrans will be notified of any accounting changes that would affect the final rates.

I declare that the foregoing is true and correct.

Governmental Unit: Shasta County Department of Public Works

Signature: 

Signature: 

Reviewed, Approved, and Submitted by:

Prepared by:

Name of Official: Patrick J. Minturn

Name of Official: Barbara Young

Title: Director

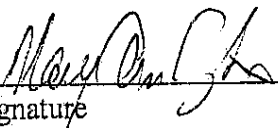
Title: Chief Fiscal Officer


Date of Execution: 4/27/07

Phone: (530) 225-5661

INDIRECT COST RATE APPROVAL

The State DOT has reviewed this indirect cost plan and hereby approves the plan.


Signature


Signature

Reviewed and Approved by:

Reviewed and Approved by:

(Name of Audit Manager)

(Name of auditor)

Title: Chief - External Audits

Title: Auditor

Date: 2/23/08

Date: 2/29/08

Phone Number: (916) 323-7105

Phone Number: (916) 323-7914

SCHEDULE A

Shasta County Department of Public Works

FY 2005-2006 Actual

Per G/L on cash basis

GENERAL & ADMINISTRATIVE

	<u>Direct Costs</u>	<u>Admin. Indirect Costs</u>	<u>Unallowed Costs</u>	<u>Total Actual</u>	
		Per CCs			Per G/L
Salaries	\$ 4,585,656.36	\$ 651,792.84		\$ 5,237,449.20	4,875,614.12
Fringe Benefits	\$ 2,211,759.15	355,877.26		2,567,636.41	2,662,073.08
Labor Variance					35.32%
(Applied on pro rata basis)	343.94	358.08		397.02	
Labor Variance					
(Applied on pro rata basis)	(231,993.51)	(43,200.92)		(267,795.43)	
Total	\$ 6,565,765.94	\$ 971,921.26		\$ 7,537,687.20	7,537,687.20

DIRECT COSTS

\$ 7,930,848.75

INDIRECT COSTS

032300	Clothing/Personal Supplies	\$ -	\$ 37,053.45
032500	Communication	37,790.82	46,220.83
032700	Food	0.00	769.63
032900	Household Expense	38,935.78	88,917.68
033102	Liability Insurance Exposure	2,354.44	16,453.21
033103	Miscellaneous Insurance	63,110.04	63,110.04
033105	Liability Insurance Experience	26,819.28	187,416.00
033500	Maintenance of Equipment	0.00	503,288.28
033700	Maintenance of Structures	26,542.12	84,847.60
033900	Lab Supplies	311.30	1,915.03
034100	Memberships	3,641.15	7,816.15
034500	Office Expense	19,258.74	47,155.03
034701	Prof. & Spec. Services	8,956.78	671,831.44
034705	I.T. Services	28,275.70	123,091.25
034707	Road Contracts	0.00	3,442,325.66
034765	Personnel Services	338.85	6,973.55
034900	Publications & Legal Notices	0.00	13,861.79
035100	Rents & Leases of Equipment	12,380.28	59,162.15
035300	Rents & Leases of Structures	1,497.60	2,997.60
035501	Small Tools & Equipment	1,438.12	52,613.87
035505	Software	429.00	17,154.94
035590	I/T Software	8,465.09	37,284.81
035591	I/T Small Tools & Equipment	3,822.14	17,407.59
035592	I/T Small Tools	133.17	507.61
035700	Special Departmental Expense	0.00	767,561.54
035703	Physical Exams	0.00	1,984.00
035901	Fuel Road Vehicles	0.00	297,492.15
035902	Other Travel	5,696.63	38,048.46
035903	Employee OT Meal Reimbursement	0.00	9,883.50
035905	Vehicle Maintenance Services	0.00	14,060.64
036100	Utilities	24,054.00	129,513.65

Subtotal	\$ 314,251.03	0.00	\$ 6,789,719.13
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Other charges

Central Service A-87 costs	\$ 346,308.24	\$ 316,635.96
Bldg. & Eqpt. A-87 costs	0.00	29,672.28
Right of Way	0.00	167,574.00
Fixed Assets	0.00	1,547,382.01
Cost Applied	0.00	(259,575.36)
Trans Out Capital Projs.	0.00	0.00
Trans Out I/T		0.00

Subt	\$ 7,930,848.75	\$ 660,559.27	\$ -	\$ 8,591,408.02
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Total	\$ 14,496,614.69	\$ 1,632,480.53	\$ -	\$ 16,129,095.22
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G & A Rate	\$ 1,632,480.53	=	24.86%
	\$ 6,565,765.94		

SCHEDULE B

Shasta County Department of Public Works

FY 2005 - 2006

ENGINEERING OVERHEAD

	Total Direct Engineering Labor	Total Indirect Engineering Labor	Unallowed Costs	Total Actual
		Per CCs		
Salaries	\$ 2,397,627.35			\$ 2,708,217.22
Labor Variance (Applied on pro rata basis)	126.29	16.36		142.65
Labor Variance (Applied on pro rata basis)	(85,186.27)	(11,035.07)		(96,221.34)
Total	\$ 2,312,567.37	\$ 299,571.16		\$ 2,612,138.53

INDIRECT COSTS

	G & A Allocation Indirect Labor @ 24.86%	\$ 74,483.93	
032300	Clothing/Personal Supplies	0.00	
032500	Communication	4,778.45	
032700	Food	0.00	
032900	Household Expense	2.51	
033102	Liability Insurance Exposure	6,016.95	
033103	Miscellaneous Insurance	0.00	
033105	Liability Insurance Experience	68,538.00	
033500	Maintenance of Equipment	4,327.08	
033700	Maintenance of Structures	815.37	
033900	Lab Supplies	197.61	
034100	Memberships	0.00	
034309	Prior Period Rev. Adj.	0.00	
034500	Office Expense	15,638.83	
034701	Prof. & Spec. Services	13,343.94	
034705	I.S. Service	68,112.31	
034707	Road Contracts	0.00	0.00
034765	Pre-employment expenses	2,644.37	
034900	Publications & Legal Notices	2,197.40	
035100	Rents & Leases of Equipment	0.00	
035300	Rents & Leases of Structures	0.00	
035501	Small Tools & Equipment	6,664.65	
035505	Software	1,655.94	
035590	I/S Software	25,406.34	
035591	I/S Small Tools & Equipment	8,270.05	
035592	I/S Small Tools	0.00	
035700	Special Departmental Expense	3,663.46	
035703	Physical Exams	0.00	
035901	Fuel Road Vehicles	0.00	
035902	Other Travel	18,367.01	
035903	Employee OT Meal Reimb.	0.00	
035905	Vehicle Maintenance Services	11,629.50	
036100	Utilities	3,664.24	

Subtotal \$ 265,934.01

Total \$ 639,989.10

Engineering Overhead Rate \$ 639,989.10 = 27.67%
\$ 2,312,567.37

SCHEDULE C

Shasta County Department of Public Works
Indirect Cost Allocation Plan
FY 2005 - 2006

G & A Labor Basis

Total Labor	7,537,687.20
Less G & A Labor	974,921.26
G & A Labor Basis	<u>6,562,765.94</u>

Engineering Labor Basis

Allocate Labor Variance:

Labor Variance allocated to Direct Labor	(220,958.44)	-3.552753%
Total Direct Labor	6,219,357.79	

Engineering Direct labor	601	661,103.22
Construction - Roads	602	212,086.41
Construction - Bridges	603	164,134.32
Minor Road Construction	604	0.00
Minor Bridge Construction	605	361,477.89
Reimbursable Work	610	998,825.51
Subtotal Direct Engineering Labor		<u>2,397,627.35</u>
		126.29
		<u>2,397,753.64</u>

Direct Labor Variance share (85,186.27) Variance (2,397,753.64*-3.552753%)
 Engineering Labor Basis **2,312,567.37** Should be equal to all direct labor/fringe costs
 for all engineering employees.

SCHEDULE D

Shasta County Department of Public Works

Reconciliation of Direct & Indirect Labor Costs

FY 2005-2006

By Cost Center

Cost Center	Description	Type	Total	Direct	Indirect
Administration & General					
0003	Training/Seminars	A	14,845.04		14,845.04
0004	Jury Duty	A	422.66		422.66
Variance Allocation (1,007,670.10/1,318,259					
0005	Admin. Labor	A	992,402.40	992,402.40	.97) *69.44
			1,007,670.10		53.08 1,007,723.18
Variance Allocation (1,007,723.18/1,318,329					
.41) *-46,836.99					
					35,801.92 971,921.26
Engineering - Unallocated					
0103	Training/Seminars	E	30,545.48		30,545.48
0104	Jury Duty	E	1,623.17		1,623.17
0105	Prelim/Design Eng	E	0.00		0.00
0110	Traffic eng.	E	165,688.67	165,688.67	
0115	Subdivision Labor	E	359,519.60	359,519.60	
0116	Planning review	E	48,265.98	48,265.98	
0119	Transportation Permit Proc	E	12,650.45	12,650.45	
0120	Right of Way Labor	E	74,978.52	74,978.52	
0122	Constr. Eng	E	5,705.93		5,705.93
0125	Enc.-Des/Proc/Insp.	E	50,914.95		50,914.95
0129	Computer/ Elec. Function	E	0.00		0.00
Variance Allocation (310,589.87/1,318,259.9					
0130	Gen'l Eng.	E	221,800.34	221,800.34	7) *69.44
			971,693.09	661,103.22	310,589.87 16.36 310,606.23
Variance Allocation (310,606.23/1,318,329.4					
1) *-46,836.99					
					(11,035.07) 299,571.16
					(46,836.99)
					1,271,492.42
Select Roads- Construction					
0205	Force Account	O	0.00	0.00	
0210	Prelim.	E	99,042.41	99,042.41	
0212	Design	E	32,484.79	32,484.79	
0215	Constr.	E	42,435.90	42,435.90	
0220	R/W	E	2,693.81	2,693.81	
0224	Prelim. R/W	E	35,429.50	35,429.50	
			212,086.41	212,086.41	
Select Bridges - Construction					
0305	Force Account	O	10,153.30	10,153.30	
0310	Prelim.	E	54,451.47	54,451.47	
0312	Design	E	87,690.47	87,690.47	
0315	Constr.	E	6,463.12	6,463.12	
0320	R/W	E	452.85	452.85	
0324	Prelim. R/W	E	4,923.11	4,923.11	
			164,134.32	164,134.32	
Minor Roads - Construction					
0405	Force Account	O	0.00	0.00	
0410	Prelim.	E	0.00	0.00	
0412	Design	E	0.00	0.00	
0415	Constr.	E	0.00	0.00	
0420	R/W	E	0.00	0.00	
			0.00	0.00	

SCHEDULE D

Minor Bridges - Construction			
0505 Force Account	O	0.00	0.00
0510 Prelim.	E	49,080.64	49,080.64
0512 Design	E	89,694.83	89,694.83
0515 Constr.	E	188,548.01	188,548.01
0520 R/W	E	18,298.12	18,298.12
0524 Prelim. R/W	E	15,856.29	15,856.29
		<u>361,477.89</u>	<u>361,477.89</u>
Road & Bridge Maintenance			
0610 Patching	O	455,318.30	455,318.30
0620 Rd Lights & Sig.	O	1,256.04	1,256.04
0630 Snow Removal	O	289,249.43	289,249.43
0640 Storm Damage	O	247,661.23	247,661.23
0650 Other	O	2,023,872.67	2,023,872.67
0660 Seal Coats	O	17,532.74	17,532.74
		<u>3,034,890.41</u>	<u>3,034,890.41</u>
Reimbursable			
1005 Force Account	O	31,536.89	31,536.89
1020 Shop labor		0.00	0.00
1030 Flood Plane Determination		16,542.83	16,542.83
1032 Encl. Permit		0.00	0.00
1035 Landfill/septage Ops.		8,381.88	8,381.88
1036 Landfill Monit. & Test		3,855.29	3,855.29
1037 Septage Monit. & Test		2,937.36	2,937.36
1039 Compliance Admin		407.48	407.48
1040 Prelim.	E	189,751.18	189,751.18
1041 Design	E	59,777.62	59,777.62
1042 Constr.	E	105,715.44	105,715.44
1043 R/W	E	6,909.95	6,909.95
1044 Subdivision/Parcel Map	E	56,739.78	56,739.78
1045 Admin/Clerical	A	55,093.87	55,093.87
1046 Planning Review	E	52,158.23	52,158.23
1047 Eng. Admin	E	91,718.24	91,718.24
1048 CAB Mtgs/ customer Inqs	E	0.00	0.00
1080 RTPA	E	317,299.47	317,299.47
		<u>998,825.51</u>	<u>998,825.51</u>
Labor clearing		(267,795.43)	(267,795.43)
Equipment Clearing			
1205 Mechanic Labor	S	512,533.34	512,533.34
1206 Repair Labor - Rd Crew		1,013.45	1,013.45
1207 Misc Equip Svc. - Rd Cre	O	8,109.35	8,109.35
		<u>521,656.14</u>	<u>521,656.14</u> 0.00
Road Crews			
1305 Supervision-General	O	93,572.31	93,572.31
1355 General Clerical - Labor		25,466.88	25,466.88
1360 Bldg/Plant mnt.-Labor		6,316.54	6,316.54
1375 Misc. Mnt.-Labor		111,676.55	111,676.55
1380 Jury Duty	O	5,076.95	5,076.95
1390 Training/Seminars	O	67,628.12	67,628.12
1395 Litigation Related Activities		64.58	64.58
		<u>309,801.93</u>	<u>309,801.93</u> 0.00
Shop			
1403 Training/Seminars	S	11,963.52	11,963.52
1404 Jury Duty	S	2,738.41	2,738.41
1405 Indirect Labor	S	208,147.88	208,147.88
		<u>222,849.81</u>	<u>222,849.81</u> 0.00
		7,537,290.18	6,219,030.21
		397.02	327.58
		<u>7,537,687.20</u>	<u>6,219,357.79</u> 1,318,329.41
Allocate Non-Paid to Clearing		222,849.81	222,849.81 (76,825.66)

Shasta County
Department of Public Works
FY 2005-2006 Actuals

G & A Rate - First Tier

G & A Labor

Allocation of CC clearing Variance

032500	600	0040	37,790.82
032900	600	0015	19.14
032900	600	0070	38,916.64
033102	600	0096	2,354.44
033103	600	0095	63,110.04
033105	600	0097	26,819.28
033700	600	0066	26,542.12
033900	600	0015	311.30
034100	600	0050	3,641.15
034500	600	0015	19,246.45
034500	600	0020	12.29
034701	600	0025	180.00
034701	600	0030	900.00
034701	600	0055	7,876.78
034705	600	0060	28,275.70
034765	600	0065	338.85
035100	600	0015	10,944.60
035100	600	0020	1,435.68
035300	600	0025	1,497.60
035501	600	0015	1,438.12
035505	600	0055	429.00
035590	600	0055	8,465.09
035591	600	0055	3,822.14
035592	600	0055	133.17
035902	600	0003	30.00
035902	600	0030	5,666.63
036100	600	0067	24,054.00
050001	600	0080	316,635.96
050003	600	0080	29,672.28

1,632,480.53 First Tier Allocation Pool

6,565,765.94 Allocation Base - All other Direct/Indirect Labor

First Tier Allocation rate 24.86%

Engineering Rate - Second Tier

Engineering Indirect labor

Allocation of CC clearing Variance

G & A First Tier Allocation to Indirect Labor			74,483.93	(((\$310,589.87+16.36-11035.07) * 24.86%)
032500	601	0147	3,785.38	
032500	601	0165	993.07	
032900	601	0147	2.51	
033102	601	0196	6,016.95	
033105	601	0197	68,538.00	
033500	601	0147	4,327.08	
033700	601	0155	815.37	
033900	601	0147	197.61	
034500	601	0140	92.66	
034500	601	0146	4,813.07	
034500	601	0147	9,806.46	
034500	601	0195	926.64	
034701	601	0147	13,317.13	
034701	601	0170	26.81	
034705	601	0165	68,112.31	
034765	601	0147	2,644.37	
034900	601	0147	57.10	
034900	601	0195	2,140.30	
035501	601	0147	6,664.65	
035505	601	0165	1,655.94	
035590	601	0146	25,406.34	
035591	601	0165	8,270.05	
035700	601	0146	1,276.11	
035700	601	0147	639.35	
035700	601	0151	1,748.00	
035902	601	0140	18,323.14	
035902	601	0147	43.87	
035905	601	0145	11,629.50	
036100	601	0150	3,664.24	
050700	601	0134	0.00	
			639,989.10	First Tier Allocation Pool
			2,312,567.37	Allocation Base - All other Direct/Indirect Labor

Second Tier Allocation rate 27.67%